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FEATURED Q&A

Does Haddad Have a Chance in Brazil's Second Round?



In the first round of Brazil's presidential election on Sunday, former São Paulo Mayor Fernando Haddad advanced to the runoff, but came in a distant second. // File Photo: Haddad Campaign.

Q [Editor's note: Due to the importance of Brazil's election and an extraordinary response from commentators wishing to write on the subject, we are presenting a double issue on the topic, with four commentaries today, in addition to those we published in Tuesday's issue of the Advisor.] Far-right candidate Jair Bolsonaro trounced his opponents in the first round of Brazil's presidential election on Sunday, garnering 46 percent of the vote, just four percentage points short of winning the election outright. His closest rival, Fernando Haddad of the leftist Workers' Party, trailed with 29 percent of the vote. A runoff between the two candidates is scheduled for Oct. 28. To what can Bolsonaro attribute his support? How much of a chance does Haddad have of coming from behind and winning the runoff, and what must he do over the next three weeks to achieve that? What is the significance of the strong showing of Bolsonaro's Social Liberal Party in Sunday's congressional elections, and what is the importance of the results of other key state and legislative races?

A Daniel Cunha, macro strategist at XP Securities and Erich Decat, political analyst at XP Investments: "Jair Bolsonaro has proved to be not just a candidate, but rather a movement—an electoral force not seen since Lula in the 2002 election. In general, all local and regional candidates who linked their candidacy to Bolsonaro's campaign, directly or indirectly, were elected, and with stronger support than polls had suggested. To some extent, the far-right candidate confirms his stronger momentum and heads to the runoff as the clear favorite against Haddad. That is not to underestimate

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TODAY'S NEWS

POLITICAL

Mexico Opens Military Base North of Cancún

Mexican President Enrique Peña Nieto inaugurated the military base near the resort city, which has seen rising violence. For the first eight months of this year, homicides more than doubled in Cancún as compared to the same period last year.

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BUSINESS

Pemex Announces Oil Discoveries

The Mexican state oil company discovered as much as 180 million barrels of oil equivalent offshore.

Page 3

POLITICAL

Ex-Guatemalan VP Baldetti Gets 15 Years in Prison

Former Guatemalan Vice President Roxana Baldetti was sentenced to 15 years and six months in prison in connection with an \$18 million fraud scheme to clean up a decontaminated lake. Twelve others were also sentenced in the case.

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Baldetti // File Photo: Guatemalan Government.

POLITICAL NEWS

Former Guatemalan VP Baldetti Gets More Than 15 Years

Former Guatemalan Vice President Roxana Baldetti was sentenced Tuesday to 15 months and six months in prison after being convicted in connection with a multi-million-dollar fraud scheme to decontaminate a major lake, Prensa Libre reported. Guatemalan prosecutors supported by the United Nations-backed International Commission Against Impunity in Guatemala, or CICIG, had discovered a criminal network that Baldetti had operated to award

Judge Pablo Xitumul called Baldetti “the big chief” of the scheme.

a government contract worth \$18 million to Israel-based M. Tarcic Engineering to clean up Lake Amatitlán. The company had claimed to have a formula that could clean the lake in a matter of months, but the substance it used turned out to be nothing more than water, salt and chlorine, the Associated Press reported. Judge Pablo Xitumul imposed Baldetti's prison sentence for fraud, influence trafficking and illegal association, calling her “the big chief” of the plan. In addition to the former vice president, 12 others were sentenced in connection with the case. A representative of the Israeli company, Uri Roitman, was sentenced to 11 years in prison on charges of fraud and illegal association. Baldetti, who has denied wrongdoing, resigned as Guatemala's vice president in 2015 amid corruption allegations in a separate case. She served under then-President Otto Pérez Molina, who was forced to resign amid graft allegations and remains in jail where he is awaiting trial. In addition to the corruption cases, Baldetti also faces U.S. drug trafficking charges. In a U.S. federal court indictment, she and others stand accused of

conspiracy to traffic cocaine into the country between 2010 and 2015. Baldetti's sentence is part of several cases in which CICIG has been involved. With the support of the commission, Guatemalan prosecutors have attempted three times to strip President Jimmy Morales of his immunity in order to pursue allegations against him of illegal campaign financing. However, Morales recently announced that he would not extend the commission's mandate, which expires next September, and banned its head, Iván Velásquez, from re-entering the country. Morales has argued that the commission has overstepped its mandate.

Bolsonaro Vows to Appoint Non-Partisan Ministers

Brazilian far-right presidential candidate Jair Bolsonaro said Tuesday he would appoint non-partisan ministers if he is elected president in the upcoming runoff, breaking Brazilian tradition of building cabinets through coalitions, Reuters reported. Two days after winning the most votes in the first round of Brazil's election with 46 percent support and a 17-percentage point lead over his closest rival,



Bolsonaro // File Photo: Bolsonaro Campaign.

Fernando Haddad of the Workers' Party, Bolsonaro said he has the capital to fundamentally change the political process. In a video posted to his social media, the senator and former army captain said his government would be more technocratic and suggested that Onyx Lorenzoni, another conservative congressman, could potentially lead it. “Once we get there, let's build a team of ministers committed to the future of Brazil and not political and partisan

NEWS BRIEFS

Hurricane Michael Lashes Cuba, Takes Aim at U.S.

Work to clean up debris was underway Tuesday in Cuba after Hurricane Michael pounded the island with heavy rain and winds and destroyed several buildings in the western part of the country, Miami's WPLG-TV reported. Cuban authorities evacuated about 300 people in Pinar del Río Province. As of 8 a.m. Eastern Time today, the storm was about 90 miles southwest of Panama City, Fla., moving north, with sustained winds of 145 miles an hour, according to the U.S. National Hurricane Center.

Mexico Opens Military Base With 2,850 Soldiers North of Cancún

Mexican President Enrique Peña Nieto on Tuesday inaugurated a military police base north of Cancún in an effort to curb rising violence in the Caribbean coastal resort city, the Associated Press reported. The 2,850 soldiers “should offer optimal security conditions for the millions of visitors who come here each year,” Peña Nieto said. From January to August, there were 342 killings in Cancún, about 1.4 homicides a day, more than double in the same period last year, the AP reported.

Peru's Vizcarra Sets Date for Referendum on Anti-Graft Measures

Peruvian President Martín Vizcarra on Tuesday set Dec. 9 as the date for a national referendum on anti-graft measures, El Comercio reported. The proposals include a re-election ban for lawmakers, stricter financing rules for political organizations, restructuring congress to make it bicameral and a measure to ensure only lawyers can form part of a committee to select judges and prosecutors. Vizcarra had been pushing for the referendum since an influence-peddling scandal in the country's judiciary came to light earlier this year.

interests," Bolsonaro said in the video, with Lorenzoni beside him, Terra reported. "And who knows, Onyx here as chief of staff in Brasília, okay?" Bolsonaro has said he would like to appoint generals and business leaders to several cabinet positions to curb corruption. Bolsonaro will face Haddad in a second round scheduled for Oct. 28.

BUSINESS NEWS

Mexico's Pemex Announces Oil Discoveries in Gulf

Mexico's Pemex has discovered oil in the shallow waters of the Gulf of Mexico that could contain as much as 180 million barrels of crude equivalent, the state-run oil company announced Tuesday, El Financiero reported. Pemex's director, Carlos Treviño, said the company had discovered seven basins in two of its wells, known as Manik and Mulach, off the coast of Tabasco in southeastern Mexico. "These are the reservoirs that will feed the country's reserves," said Mexican Energy



Treviño // File Photo: Pemex.

Minister Pedro Joaquín Coldwell at a conference with Pemex officials, Reuters reported. He called the discovery among Mexico's 10 most important shallow-water discoveries in the last 15 years. By 2020, the Manik and Mulach wells, in addition to other discoveries in recent years, could add as much as 210,000 barrels of oil per day and 350 million cubic feet of gas to Pemex's output, which has been declining for 14 years, according to the oil company's director of exploration and production, Javier Hino-

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the second round, but all Bolsonaro has to do is to avoid any major mistakes in the next 20 days to become the next president. In this context, he might adopt a more passive strategy by skipping some TV debates and avoiding direct combat with Haddad. He'll probably prefer to give occasional interviews for certain TV channels that should be chosen very carefully, in addition to continuing to rely on the Internet. Regarding Bolsonaro's governability in a possible future government, there are more questions than answers. However, Bolsonaro has said he will seek the support of the center-right. It's a good sign for those who campaigned against the establishment. The administration's upper hand will be necessary to try to address controversial reforms, but it is not sufficient. Having political skills and the right team in the right place is still pivotal."

A **Ana Heeren, managing director for strategic communications and Latin America head at FTI Consulting:** "Bolsonaro's

dominant performance reflects the powerful anti-Workers' Party (PT) and anti-establishment sentiment being fueled by the PT's central role in massive corruption scandals and its inability to resolve Brazil's financial crisis and rising levels of violent crime. The overwhelming desire for new leadership was also seen in other key state and legislative races. Bolsonaro's PSL party saw unprecedented growth, dominating in Brazil's two most populous states, São Paulo and Rio de Janeiro; and securing four seats in the Senate (where it previously had none) and 52 in the lower house (where it previously held eight). The Senate only had eight senators re-elected of the 54 seats that were up for re-election, and several traditional political figures were voted out to make way for new

josa, El Financiero reported. It would require an investment of between \$7 billion and \$10 billion for equipment and infrastructure. The discovery would represent about one-third of

leaders. These results, borne of the same anti-establishment sentiment propelling Bolsonaro's first-round win, shift legislative power to the right. Critically, this shift in the legislature will give Bolsonaro, if he wins the runoff, a significantly larger pool of allies

“ **Bolsonaro's PSL party saw unprecedented growth.”**

— Ana Heeren

in Congress and key states than expected. That said, to approve constitutional reforms, such as pension reform, 66 percent of the legislature is needed, and an absolute majority requires 257 votes. This weekend's first-round results have certainly dampened concerns that Bolsonaro would not be able to govern if elected president, but he would still need to forge alliances to be able to enact major reforms."

A **Juliano Griebeler, director of government affairs at Barral M Jorge Consultores Associados:** "The main driver for Bolsonaro's support came from anti-Workers' Party (PT) sentiment and fear that Bolsonaro could lose to the PT in the second round. In the second round, Haddad will have to win over all of Gomes' supporters, and he will have to win the support of the voters who did not vote in the first round and those who cast blank ballots. For his part, Bolsonaro has to keep with his successful anti-establishment strategy. So for the next three weeks, we can expect Bolsonaro to increase his rhetoric against the PT and Haddad to soften his rhetoric to try to win over undecided voters. The an-

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President-elect Andrés Manuel López Obrador's goal of increasing the company's current daily output by about 700 million barrels by the end of his six-year term.

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ti-establishment feeling that was apparent in the presidential election was also reflected in the congressional elections. Bolsonaro was able to help elect 52 representatives of his party to the Chamber of Deputies. This will help Bolsonaro construct a government coalition and have governability to move forward with his agenda. We can expect a more

“In the second round, Haddad will have to win over all of Gomes’ supporters...”

— Juliano Griebeler

conservative Congress in social aspects and one that is more market-friendly. Regarding states, the PSDB was not only defeated in the presidential race but also in the Senate. In elections for governor, however, seven party members managed to advance to the runoff, where they are the favorite in at least three of those races. The PT won in the states in which it traditionally obtained a good performance (Bahia, Piauí and Ceará), but lost in Minas Gerais. The scenario ignit-

ed a warning signal in Haddad’s campaign, as states where gubernatorial candidates won first-round victories might see higher abstention rates in the runoff.”

A Thyago Mathias, director of advocacy and strategic communication at Llorente y Cuenca in Brazil: “The first-round results confirm the growth of a conservative wave in Brazil. This wave gathers voters disillusioned with politics and against corruption and the Workers’ Party. What do these voters agree on? The answer includes a variety of issues including more security and the social agenda. Bolsonaro, who has voted for a greater state presence in the economy during his 27 years as congressman, is now signaling that he will avoid raising taxes and promote looser regulations. Bolsonaro’s electoral base is centered around a strong conservative agenda. The challenge for Haddad is to move toward the center to congregate millions of votes needed from other candidates or from the 40 million voters who stayed home or cast blank ballots in the first round.”

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